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MATTERS RELATING TO THE PROGRAMMING CYCLES

Possible options for a structure for the next programming period

Report of the Administrator

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I. PURPOSE AND INTRODUCTION

A. Purpose

1. The present report responds to several requests from the Executive Board. Following its review of the conceptual paper on matters relating to the sixth cycle (DP/1994/20) at its 1994 annual session, the Board decided (94/17) to continue consideration at its regular sessions with a view to reaching a final decision at the 1995 annual session. For consideration at the current session, the Administrator was requested to outline a possible structure for future deliberations and provide additional documentation addressing in particular: the development of his report on initiatives for change (DP/1994/39) for application during the next programming period; options for the revision of the indicative planning figure (IPF) programming framework; options for the revision of the resource distribution methodology, including eligibility criteria and graduation, and supplementary criteria and weights. In addition, decision 94/14 is pivotal to the present discussion in that the Board therein encouraged efforts to focus the programme by operationalizing the three goals and four priority areas identified, taking into account the views expressed during the annual session and the ongoing discussions on successor arrangements to the fifth programming cycle.

B. Principles and assumptions

2. Careful note was taken of the Executive Board's deliberations on these matters at the 1994 annual session and the guidance provided has been consolidated into the following set of assumptions and principles on which to base continuing discussions.

Sustainable human development elements

3. The three goals within the sustainable development framework for UNDP as set out in document DP/1994/39 and supported in decision 94/14 are: to strengthen international cooperation for sustainable human development (SHD) and serve as a major substantive resource on how to achieve it; to help the United Nations family to become a powerful and unified force for SHD; and to focus UNDP's own resources on making the maximum contribution to certain key dimensions of SHD in the countries that UNDP serves. These should constitute a major underpinning of the structure for the next programming period.

4. The options for a new programming framework should also reflect and support the four focus areas identified in the report of the Administrator on initiatives for change (DP/1994/39), namely, poverty elimination, job creation, environmental regeneration and the advancement of women, and at the same time recognize the Executive Board's emphasis on achieving SHD in these areas in line with national priorities.

Financing mechanisms

5. In designing the framework for the next programming period, it is assumed that a major objective is to attract a larger pool of resources and to apply them in a more focused and hence more effective fashion in line with the three goals and four focus areas endorsed in decision 94/14. To this end, a core programme should continue to form the centrepiece of UNDP programming and, therefore, targets for voluntary contributions (and any other combination of financing modalities such as assessed contributions or negotiated pledges) would continue to exist. The financing modalities selected should promote realism and predictability in planning and delivery, without detracting from donor commitment to meeting resource targets. It is understood that these issues will be addressed further by the General Assembly in the context of its discussions on the financing of operational activities for development, begun in June 1994.

Universality

6. Discussions at the 1994 annual session of the Executive Board also reaffirmed that the universality of participation of all programme countries should be maintained. Universality not only helps maintain the global network of country offices so critical to United Nations system coordination but also enhances the application of various global agreements and standards where the lack of participation of individual parties would detract from the effectiveness of the whole. Secondly, the principle of universality recognizes that there are sizeable disadvantaged groups present in all programme countries, and that it would be inequitable to curtail their access to the technical cooperation they require. Finally, universality of participation in UNDP programmes (as distinct from the assignment of substantial resources to support this participation) can encourage countries at or near "graduated" status to emerge as potential donors in the longer term.

Resource distribution

7. The Executive Board expressed clear interest in reviewing a full range of planning and resource distribution frameworks, including options hitherto not considered. The deliberations of the Board indicate that such options should seek to:

(a) Re-emphasize and reinstate the concept of assigning resources as planning targets rather than as the absolute resource entitlements that they have come to be considered under the IPF system;

(b) Preserve forward planning capacity while reducing vulnerability and financial exposure;

(c) Link resource distribution to country requirements in the areas of focus;

(d) Provide greater flexibility in reflecting changing country situations through the use of enhanced distribution criteria.

Outline of the discussion

8. Based upon the above legislative directives and the principles and assumptions derived from ongoing deliberations, the remainder of the present report is divided into sections, covering: (a) the programming framework and sources of financing; (b) options for assignment of core programme resources; and (c) options for resource planning and management. While options are generated for each of these elements, the components of a programming framework must ultimately function in a mutually reinforcing manner. To facilitate this discussion, the annex contains a matrix that sets out possible combinations for integrating the options on assignment of resources and their planning and management.

II. THE PROGRAMMING FRAMEWORK AND FINANCING SOURCES

A. Programming objectives

9. After considering the report of the Administrator on initiatives for change (DP/1994/39), the Executive Board adopted decision 94/14, which sets out a programming framework for UNDP activities in the next period. As noted in paragraphs 3 and 4 above, this framework is based on the three major goals for the organization, and an enhancement of the focus of UNDP assistance in the four areas identified, utilizing the patterns of interventions in which UNDP has a comparative advantage. Thus, the operational application of this framework is a primary objective for the next programming period.

10. A second objective is to design a programming framework that would facilitate a significant expansion of the UNDP resource base and promote joint resource mobilization with programme countries, thereby increasing the flow of support for national programmes, and for UNDP contributions to them. Such resource mobilization, through both UNDP and parallel financing, would also constitute a main programming objective for UNDP in the next period.

B. Sources of financing: core funding

11. The General Assembly is presently reviewing the existing financing systems of the funds and programmes of the United Nations. While awaiting finalization of these deliberations, the Executive Board must proceed with its own consideration of the framework that will govern the next UNDP programming period, based on the financing options it envisages for the continuing support of UNDP programmes.

12. Experience has shown that core funding is the bedrock upon which all UNDP activities are based. Thus, while core resources have come to represent a declining share of the overall funding flowing to UNDP (primarily because of the expansion of non-core resources as outlined in sect. II.C.), core funding continues to be applied effectively as a critical input to development initiatives in the countries UNDP serves. In line with legislative directives, core funds are being increasingly directed to the selected areas of focus. Many countries effectively channel core financing as seed money to help mobilize

additional resources for national programmes and to support high leverage, upstream activities (e.g., policy development, programme formulation and capacity-building for implementation). Core funding is also being used as an essential component of large national programmes funded from a multitude of sources. This recent experience demonstrates that the crucial and positive roles being fulfilled by core funding must be incorporated in the options generated for its use in the next programming period (as elaborated in sect. III).

13. With respect to core funding, the Administrator would like to suggest that the initial resource base for the first year of the next programming period be established at a level equivalent to the initial base of the fifth cycle (plus an inflationary adjustment), notwithstanding the fact that the growth targets for the fifth cycle were not achieved. Thus, it is hoped that the next programming period will commence with a 1997 target of approximately $1.25 billion (estimating annual inflation at about 4 per cent) as compared to the $1 billion base set for the fifth cycle. It is furthermore hoped that a realistic and predictable rate of increase for the base resource level can also be targeted for the next programming period.

C. Sources of financing: non-core funding

14. The changing trends in core and non-core resources indicate that the legislative framework for the next programming period should not be limited to core resources alone, as it was in previous programming cycles, including through the provision of decision 90/34 for the fifth cycle. Instead, the new framework should explicitly recognize a range of financial instruments, including thematic and other funds, that would and should be available to programme countries. Indeed, a primary requirement should be the establishment of appropriate windows to mobilize resources that represent a clear additionality over current arrangements. These windows would either help to generate new and additional funding, or tap Official Development Assistance (ODA) resources not currently flowing through multilateral channels such as UNDP. Combined with appropriate coordination and enhanced programming focus, such rechannelling of resources should prove attractive to both programme and donor countries.

15. Therefore, while it is assumed that core funding would continue to underpin UNDP activities, it would be bolstered by continued access to the various special purpose or thematic funds that have emerged during recent years. It is also assumed that the array of additional funding would indeed increase during the next period, accessing both currently and potentially available ODA flows, as well as other sources.

16. In line with the above, the following configuration of non-core funding mechanisms might be envisaged:

(a) Central funds:

(i) New and existing thematic funds (e.g., Capacity 21, desertification fund, sustainable energy fund);

(ii) Existing trust and other funds (e.g., the United Nations Capital Development Fund, the United Nations Development Fund for Women (UNIFEM));

(iii) Other global funds entrusted to UNDP for programming and administration (the Global Environment Facility (GEF), Montreal Protocol, and other funds that may emanate from forthcoming global conferences).

(b) Country level funds:

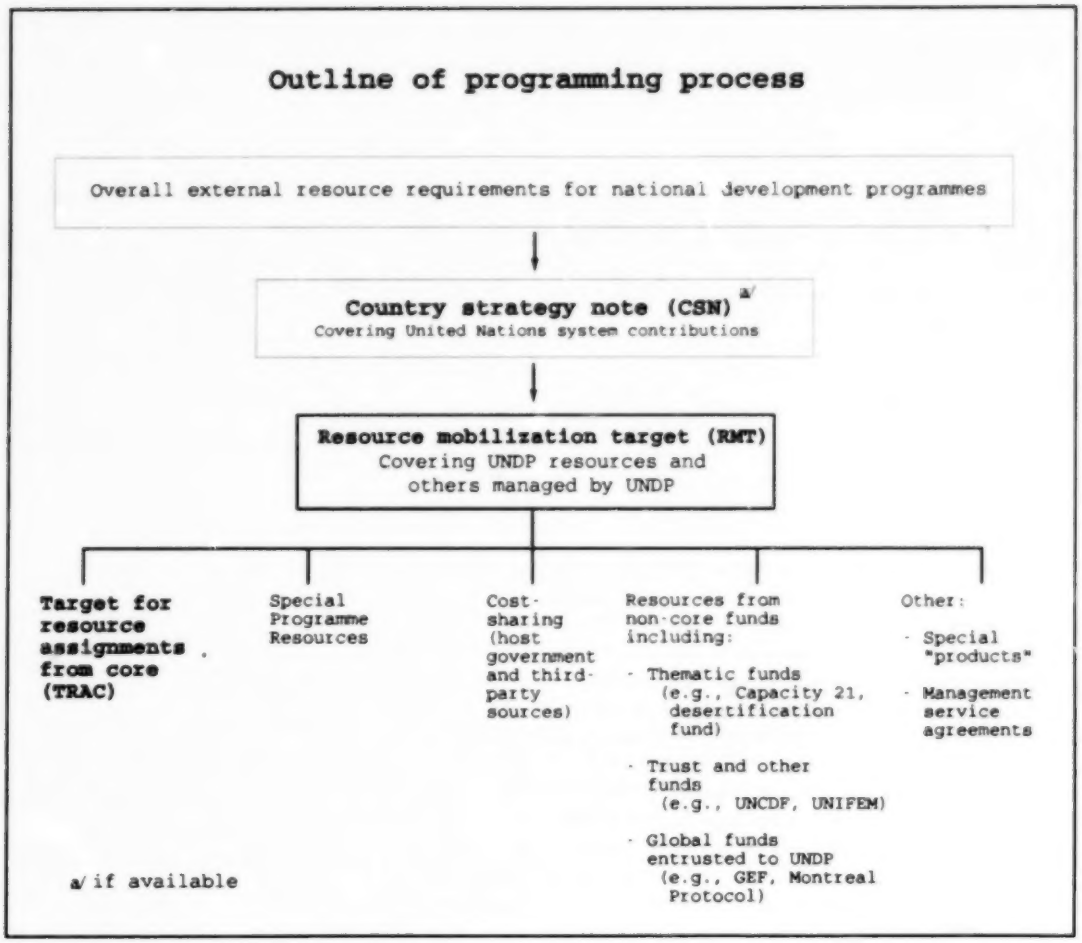
(i) Cost-sharing from the programme country's own revenues, development bank loans, as well as third party donor sources;

(ii) Special "products" relating to the development/technical cooperation services in areas where UNDP has expertise (e.g., aid coordination, relief to development continuum) available for application in individual country contexts, for which financing could be sought separately;

(iii) Other resources channelled through UNDP management service agreements, including multilateral and bilateral funds.

D. Resource mobilization targets

17. Given that the next programming framework may have to encompass a multiplicity of available financing sources, it may be useful to postulate the elements of a country-level programming process that would explicitly recognize this wider array of financing potentially available through UNDP. To facilitate this discussion, an outline of the overall process is shown in the diagram below. The starting-point is clearly a holistic determination of external resource requirements in line with national priorities, plans and programmes. The need for such an approach has been well examined in this and other forums and is not therefore elaborated here. The use of a country strategy note in line with General Assembly resolution 47/199 could be a vehicle for identifying that portion of the external requirements that might be met through the United Nations system.


Outline of programming process
Overall external resource requirements for national development programmes
Country strategy note (CSN) a/
Covering United Nations system contributions
Resource mobilization target (RMT)
Covering UNDP resources and others managed by UNDP
Target for resource assignments from core (TRAC)
Special Programme Resources
Cost-sharing (host government and third-party sources)
Resources from non-core funds including:
- Thematic funds (e.g., Capacity 21, desertification fund)
- Trust and other funds (e.g., UNCDF, UNIFEM)
- Global funds entrusted to UNDP (e.g., GEF, Montreal Protocol)
Other:
- Special "products"
- Management service agreements
a/ if available

18. This process should also result in a clear determination of the role UNDP would play towards meeting the overall requirements. To this end, UNDP and the Government could reach agreement on what might be termed a resource mobilization target (RMT), which would function as a goal towards which UNDP and the Government could direct their joint resource mobilization efforts. The RMT would be realized through a combination of core as well as non-core financing sources identified in paragraphs 9-13 above.

E. Targets for resource assignment from the core

19. As noted above, an important element in achieving the overall RMT would be the assignment of resources from the core fund. This could be termed the target for resource assignment from the core (TRAC) in order to distinguish it from IPF, which it would seek to replace. The term "assignment" is used as in a neutral sense to distinguish it from other terms (such as earmarking and allocation) that imply a degree of "entitlement". The possible means of making such assignments are considered in section III. However, it is important to note that the starting-point for UNDP discussions with a Government on a country programme would be the resource mobilization target and not the target for resource assignment from the core. This would contrast with earlier cycles, when the IPF constituted the primary support to the country programme. This scenario is summarized in the diagram.

20. In line with these proposals, the next programming framework would obviously encompass the full range of financing support likely to be available to achieve RMTs. At this stage, however, the present report deals only with support from the core fund. The integration of other funding sources into the overall framework will be further elaborated as the structure for the next programming period continues to crystallize.

F. Financing mechanism options

21. Pending the finalization of the General Assembly deliberations on financing mechanisms, the Administrator would like to encourage the Executive Board to consider some limited options regarding the means by which certain purposes supported by the core fund might be financed in the next programming period.

1. Options for financing mechanisms

22. While voluntary contributions can be expected to continue to fund the bulk of core requirements, consideration could also be given to other mechanisms to enhance the stability and predictability of the Programme. As indicated in the earlier report on this subject (DP/1994/20), UNDP experience suggests that financing mechanisms should: (a) provide increased resources in line with developing country needs and targets established by various global compacts and agreements; (b) ensure predictable resource levels for multiple years; and (c) work towards equitable burden-sharing over a wide range of contributor countries.

23. In the ongoing deliberations of the General Assembly on this subject, other proposals, including those involving replenishments, would continue to be of interest to UNDP. The proposals described in the Nordic UN project, involving a three-tier scheme of financing, including negotiated pledges, also deserve further review.

24. In this context, the Administrator would suggest that consideration be given to other mechanisms such as a system of assessments at least for certain elements of the core programme. If approved, an assessment scale could be established for UNDP, as distinct from those applicable to other organizations, including the United Nations.

2. Financing United Nations system coordination functions

25. One area for which the assessment option could be considered is the financing of the infrastructural, as well as programmatic and substantive support UNDP provides to the United Nations system at the country level, through the network of country offices and the resident coordinator system. UNDP has been accorded these mandates by various legislation, including General Assembly resolution 47/199, as well as Executive Board decision 94/14, which endorsed United Nations system support as one of the three important goals for the organization.

26. Under current arrangements, the cost of supporting the United Nations system through the UNDP country office network is borne by core resources, with such amounts separately identified and approved in the UNDP biennial budget. It has been pointed out, however, that the resident coordinator is not currently provided with any funds with which to carry out necessary substantive and programmatic functions. Several local initiatives to support these functions have been undertaken in individual countries by the resident coordinator jointly with other United Nations organizations represented. The Administrator has also supported these initiatives, most recently by providing an allocation for this purpose from the Special Programme Resources (SPR). Despite these efforts, the effectiveness of the resident coordinator system continues to be hampered by the lack of a centrally established support facility.

27. Given the importance of these objectives, the Administrator would encourage the Executive Board to consider a possible system of assessments to finance the costs of the activities described above. Such a system of assessments, which would apply specifically to UNDP contributors as distinct from the United Nations or other organizations, would certainly strengthen and provide a secure financial base for these essential functions.

III. OPTIONS FOR ASSIGNMENT OF CORE PROGRAMME RESOURCES

A. Introduction

28. In its decision 94/17, the Executive Board requested that options for the revision of resource distribution methodologies be presented for consideration at the current session. It may be recalled that the core programme resources currently finance the following: (a) global, interregional and regional IPFs; (b) Special Programme Resources; (c) country IPFs; (d) the UNDP establishment (in particular its field network, which provides, inter alia, support services to the United Nations system); and (e) programme and technical support services, including the cost of execution and implementation of UNDP programmes and projects.

29. In this section of the present report, the assignment of resources to the first three categories is examined. The fourth area, some elements of which are mentioned in section II.D above, and the fifth area will be dealt with separately in the continuing consultations with the Executive Board, in particular through the report on arrangements for agency support costs (DP/1994/23) and the independent evaluation of these arrangements.

B. Global, interregional and regional programmes

30. As described in document DP/1994/20, the intercountry IPF was reduced during the fifth cycle to 13 per cent of core programme resources from 19 per cent in the previous cycle. As a result, severe resource constraints have been experienced in all regional programmes and several worthwhile activities have had to be scaled back or eliminated. Discussions at the 1994 annual session were generally supportive of increasing resource allocations for intercountry activities in light of these severe constraints and the importance of international initiatives, as well as in response to the Secretary-General's efforts to enhance regional cooperation and coordination. The Executive Board may therefore wish to provide guidance on this aspect of the use of core resources.

C. Special Programme Resources

31. It was noted in paragraph 56 of document DP/1994/20 that the SPR has proven a powerful tool for innovation, and that the Administrator intended to make the SPR more responsive to country-level needs and to decentralize its management. The SPR is expected to continue to support new SHD initiatives and the development of new modalities and approaches in technical cooperation, particularly the patterns of intervention in which UNDP has recognized comparative advantages. The SPR would also continue to provide complementary support to country-level activities. The Executive Board may also wish to provide guidance on this aspect of the use of core resources.

D. Assignment of core programme resources at the country level

32. Following a comprehensive review of alternatives, the three options presented here cover a full range of possibilities extending from continued use of the current methodology to significant departures from it. For each option, a broad outline of possible implications is also presented. In order to gain insight into these consequences, some initial modelling of the alternative methodologies has also been carried out. However, further guidance from the Executive Board is necessary to carry out full-scale technical studies and to make firmer assessments of the various methodologies involved.

1. The current methodology

Objectives and features

33. The objectives and features of the current methodology were presented in detail in the report of the Administrator on the sixth cycle (DP/1994/20) submitted to the Executive Board at its 1994 annual session.

Implications

34. Although continuing the current methodology would preserve the consensus reached on these matters in the previous cycles, the analysis provided in document DP/1994/20 (paras. 5-6) indicated that continuing this methodology into the next programming period might result in a number of undesirable outcomes. For instance, it has been suggested that the present distribution criteria do not fully reflect the development needs of countries, particularly in the areas of focus established by the Executive Board. With respect to the resource distribution component of the methodology, projections using recent data indicate that a larger number of countries would no longer receive an earmarking, thus marginalizing their participation in the Programme. Furthermore, continuation of the present system would be likely to perpetuate the concept of the IPF as an "entitlement" rather than a planning target.

2. Fixed assignment by regions, flexible by countries

Objectives and features

35. This option is geared to a more flexible assignment of resources than the fixed earmarking by country that characterizes the current system. It recognizes that in the system envisaged for the next programming period, target resources assigned from the core (TRAC) would constitute only one part of an enlarged range of resources being sought to achieve the RMT established for a country; and that a fixed earmarking is neither necessary nor desirable.

36. Under this option, the Administrator would be authorized to establish TRACs in line with country programmatic needs, and in a manner designed to maximize the impact and the leverage of the assigned resources. He would also be responsible for ensuring that over the programming period resources are assigned

to countries roughly in accordance with agreed criteria (discussed further under paras. 41-48).

37. In a variation of this option, the Executive Board could earmark a pre-determined, fixed level of resources to individual regions and apply the flexible assignment of resources suggested in the previous paragraph only to the countries/programmes within that region. Accordingly, the assignment and management of resources could be carried out on a regional basis and therefore delegated to the Regional Bureaux of UNDP.

38. In a further variation, a TRAC could be established for each programme country in a region, but together these would represent only a portion (perhaps half) of the total funds assigned to that region.

Implications

39. While this proposal represents a major change, a number of positive results would flow from its implementation. Most importantly, the overall quality of the programmes may well be enhanced as their approval at any particular time would be contingent on their merit, their conformity with the country's needs, and with the areas of focus defined by the Executive Board. Resources can be utilized more fully and effectively as redeployment from inactive programmes becomes possible. Finally, the notion of fixed country entitlements, which have introduced an undesirable element of inflexibility in UNDP programmes, would be eliminated without compromising the equitable distribution of resources.

40. In the absence of a prior indication of resources, there may be some concern that country-level planning could be compromised. It is also possible that countries with greater capacities for programme formulation could enjoy certain advantages in meeting the approval requirements of UNDP and, therefore, in garnering resources at the earlier stages of a programming cycle although equity in distribution of resources would eventually be restored.

3. Alternative criteria

Objectives and features

41. This option examines the criteria embodied in the current methodology and suggest modifications that address the issues raised by the Executive Board in earlier discussions. In so doing, it is presumed that it would be useful to preserve the attractive features of the current arrangements, such as: the emphasis on increasing progressivity; the prominence given to the least developed countries (LDCs); universality; and the recognition of special development characteristics of specific countries. At the same time, it was considered necessary to introduce changes that reflect more accurately the development needs of countries; avoid marginalization of countries/programmes that continue to need assistance, and therefore preserve the universality of participation of all countries; and link distribution more directly to country needs in the areas of focus, particularly poverty. The following proposals take these considerations into account.

42. It was suggested in document DP/1994/20 that gross national product (GNP) per capita should be continued as one of the primary criteria as, despite its obvious statistical flaws, it continues to be a robust indicator of a country's economic strength and potential. Thus, in order to establish an inverse link between UNDP assistance and the ability of a country to finance its development needs, GNP per capita could continue to be a representative indicator.

43. An alternative would be the use of the human development index (HDI). Since the HDI measures the level of a country's human development, i.e., how well a country has done in terms of life expectancy, educational attainment and meeting other basic needs, it could be considered a better representation of a country's development needs, particularly in the areas of focus specified by the Executive Board. With the considerable refinements achieved in the computation of the index over the last several years, and the consequent recognition it has received as a valid indicator of the status of the country's human development, perhaps the time has arrived for its use as an aid-allocation criterion. However, it should be acknowledged that the HDI does not fully capture the income level or economic potential of a country, and thereby the ability of a country to pay for its own development needs. The use of the HDI as the sole criterion in an aid-allocation model would therefore leave out that important dimension.

44. A combination of both the HDI and GNP per capita might therefore present an appropriate alternative. With the judicious selection of the specific weights to be accorded to these indicators, their combined use in the methodology for determining country assignment of resources might prove to be effective.

45. The other primary criterion used in the current methodology is the total population of a programme country. A significant change would involve substituting for total population those numbers of people who fall below the absolute poverty line in each country. For these purposes, the poverty line has been assumed to be $350 per capita, the basis upon which the World Bank collects and reports data on people in absolute poverty. The proposal to use this as a primary criterion is based on the following principles: (a) poverty elimination will be a major focus of UNDP programmes in the next programming period; (b) UNDP assistance should be directed to poor people wherever they are located rather than only to those in poor countries; and (c) poor people should be placed at the centre of all development efforts, as implied by the SHD paradigm.

46. The possible use of supplementary criteria needs to be reviewed. One option is to discontinue their use. Another is to incorporate other factors that better represent development requirements, particularly those related to the areas of focus.

Implications

47. The substitution of the variable "population under the poverty line" for "total population" is an appealing option. A significant problem may, however, be the availability and accuracy of data available on this variable. Nevertheless, because of poverty assessment studies carried out recently by several countries, data on people under the poverty line are increasingly being

collected. At this stage, data relating to approximately 70 per cent of the programme countries have become available.

48. Preliminary studies, based on available data, suggest that, other conditions remaining equal, this change would result in (a) a small increase in "progressivity"; (b) some shifts, albeit small, in the distribution of resources among regions (an increase for Africa and small decreases for other regions); and (c) an increase in the share of resources allocated to LDCs. At the same time, it would appear that in a few cases relating to middle-income countries with significant poor populations, the application of the revised methodology using "population under the poverty line" would result in a smaller decrease in the assignment of resources than would occur with the continued use of "total population".

E. Graduation and eligibility

49. In its decision 94/17 (para. 5 (c)), the Executive Board requested that options for the revision of the resource distribution methodology also cover eligibility criteria and graduation. (Issues relating to the need and eligibility for development assistance are the subject of several studies by multilateral institutions. The Organisation for Economic Cooperation and Development (OECD) is, for instance, considering a range of indicators to serve as criteria for establishing eligibility for external aid, but work is not sufficiently advanced to be of immediate use in these discussions.) As explained in section V of document DP/1994/20, a concept of graduation has been embodied in the current methodology: programme countries achieving a higher level of GNP per capita and therefore, a greater "ability to pay" receive a proportionately lower allocation of resources, and eventually "graduate" to become net contributor countries. Presently, the thresholds at which graduation to net contributor country (NCC) status occurs is established at $3,000 ($4,200 for island developing countries).

50. The Executive Board may wish to review the threshold at which graduation will occur in the next programming period. One possible option would be to establish a threshold of $4,700 which would be consistent with the World Bank graduation level (as well as with the level the OECD Development Assistance Committee (DAC) uses for reporting purposes). It is estimated that under this threshold, a total of 27 countries would qualify as NCCs in the next programming period in contrast to 37 countries that would do so under the current thresholds.

51. One of the challenges posed by the current graduation policy is to avert the potential marginalization of middle-income countries nearing graduation. These countries report that core resources, however small, play a crucial catalytic role, particularly in mobilizing significantly larger amounts from non-core sources. They also contend that, given the development problems in their countries, continued UNDP assistance is required. The Executive Board may, therefore, wish to review some innovative proposals in this regard designed to ensure the continued participation of such countries in UNDP activities.

52. A possible option for Executive Board consideration may be the assignment of core resources that could be considered, to one degree or another, reimbursable. This may be particularly useful when UNDP assistance is provided in connection with the preparation of a national programme that would be financed subsequently from external resources, most typically from a development bank. In these cases, reimbursements to UNDP could be made from development bank loan proceeds when they are actually approved. In this regard, a proposal made in document DP/1994/20 relating to a waiver of reimbursability as an incentive to the mobilization of non-core resources may be relevant. Under this proposal, reimbursability may be waived if the magnitude of the total programme in a country exceeds a certain multiple of the assignment of resources from the core fund.

53. The Administrator would encourage the Executive Board to consider how countries nearing graduation status can be ensured of participation in UNDP programmes without prejudice to the principle of progressivity in the assignment of core resources to countries. The proposals outlined above could be integrated within any of the resource distribution options outlined in paragraphs 41-48 above.

IV. OPTIONS FOR RESOURCE PLANNING AND MANAGEMENT

A. Current arrangements

54. In its decision 94/17, the Executive Board requested that options for the revision of the IPF planning framework be presented at the current session. An analysis of the current planning framework was provided in section A of document DP/1994/20.

55. As described in document DP/1994/20, IPFs are currently established for a fixed five-year period and are typically revised once, if required, during the mid-term review of the cycle. However, for resource planning and management purposes, UNDP uses a rolling five-year cycle that encompasses at any point in time the current year, the year immediately preceding and three future years. Thus, the IPF cycle and planning cycle can coincide only in one year in the five-year programming cycle. In other years, the planning cycle straddles two IPF cycles.

56. Under these arrangements, in the spirit of continuous programming and on a "going concern" basis, UNDP makes an assumption at the mid-point of the current IPF cycle about the establishment of a successor IPF cycle. Resource levels are projected as commensurate with current IPF levels, however inaccurate they may be. Thus, any uncertainty and possible unrealism surrounding current IPF levels can be carried forward to the programming of the next IPF cycle.

Implications

57. The IPF system has proven a poor predictor of resource availability, with delivery levels varying from 55 per cent of originally targeted resources in the third cycle, to 112 per cent in the fourth, and an estimated 70 per cent in the fifth cycle. IPFs are infrequently revised, and have come to be viewed as

entitlements. However, the IPF system is delinked from actual resource availability, making programming at the perceived "entitlement" level extremely vulnerable to fluctuations in contributions. Furthermore, the fixed IPF levels do not allow for rapid, flexible responses to changes in country situations in the course of the cycle.

58. The IPF system does, however, permit advanced planning. Additionally, this system sets resource targets for donors as part of the negotiations on the framework for a programming cycle, and thereby establishes what may be viewed as a commitment to achieve these contribution levels.

B. Three-year rolling cycle

59. This option arises from an analysis of programme build-up for the last ten years, which reveals that 97 per cent of outstanding budgets at any one time are covered within the current year plus the two future years. Thus, forward planning of UNDP resources currently extends only to three years rather than to the five years implied by the IPF cycle. This would in turn suggest that a three-year planning framework is sufficient to capture forward commitments.

60. Possible reasons for this reduced degree of forward planning may include: (a) reduction of average project duration to 2.8 years in recent years, in contrast to longer durations during the 1970s; (b) country programmes being tied to structural adjustment programmes of shorter duration rather than to five-year national plans, now less common. Whatever the reasons for this pattern, it has implications for reduced duration resources planning and management options.

61. In addition to reducing the duration of the planning period, it would also be possible to roll it forward every year. Thus, a new and updated planning period would be established every year instead of the current practice, where an IPF cycle is established once every five years. This mechanism may permit more precise planning estimates of resources for the period by using the most up-to-date information on pledges made and contributions received. The present system, based on annual growth targets for contributions for each year of the planning period (8 per cent in the fifth cycle), has proven extremely unreliable.

62. Thus, under this option an initial core resource envelope for the next UNDP programming period could be based on a three-year (1997-1999) rather than a five-year projection of the targeted growth rate over the agreed base. The resource envelope for individual programmes could be computed on the basis of revised distribution methodology discussed under one of the above options. At end of the base year (i.e., at the beginning of 1998), programme resources for the additional planning year (2000) would be projected on a more secure basis, using contribution levels for 1997 and anticipated and announced pledges for 1998 and 1999. In estimating anticipated pledges, it might well be assumed that they would remain at least the same level as the previous year. Resources for the new "third" year (2000) would be assigned to countries in line with original distribution criteria or any revisions thereof. At the end of each succeeding year, projections for the new third year would be made in a similar fashion.

Implications

63. This option offers the advantages of preserving a future horizon sufficient for UNDP programming purposes while introducing a greater degree of reality to forward planning, hence reducing vulnerability. Since the system would be adjusted annually, it may offer greater flexibility in assigning resources to countries, and in reflecting changing country circumstances in such assignments.

64. It has been suggested, however, that shorter, flexible planning horizons could weaken the commitments of some contributor countries to attain long-range targets. On the other hand, a shorter planning duration could encourage some donors to make multi-year commitments to UNDP, which they were not able to do for the very long planning period in the current IPF system.

V. EXECUTIVE BOARD ACTION

65. The Executive Board may wish to consider and provide guidance on the full range of options presented in the present report, identifying those that warrant further exploration and technical study in order to advance the preparations for and further consultations on the next programming period.

Note: To facilitate the Executive Board's review of some of the options, the annex contains a matrix which summarizes the six combinations of options for country assignment of core resources and for their planning and management.

Annex

OPTION COMBINATIONS

OPTIONS FOR ASSIGNMENT OF CORE RESOURCES	OPTIONS FOR RESOURCE PLANNING AND MANAGEMENT	
	Current five-year fixed cycle	Three-year rolling plan
CURRENT METHODOLOGY BASED ON GNP/TOTAL POPULATION AND EXISTING SUPPLEMENTARY CRITERIA AND WEIGHTS	· existing GNP, total population, supplementary criteria, weights & graduation thresholds · tested methodology, reflects consensus · does not fully reflect development/SHD needs · fixed five-year IPF, infrequently revised, permits forward planning but with financial vulnerability · marginalizes middle-income countries (1)	· existing GNP, total population, supplementary criteria, weights & graduation thresholds · 3-year period, rolled forward annually, more accurate, little financial vulnerability · horizon sufficient for planning purposes; flexible response to changing country circumstances · may weaken commitment to growth targets; may instead encourage multi-year commitments 2)
FIXED ASSIGNMENT BY REGION, FLEXIBLE BY COUNTRY	· five-year allocations as per existing criteria, but fixed for region; flexible by country · rough distribution over period by Administrator guided by agreed criteria · responds to changing country situation; maximizes programming of available resources · management decentralized to Regional Bureaux · less financial vulnerability (3)	· three-year allocations,but fixed for region; flexible by country; rough distribution over period by Administrator guided by agreed criteria · 3-year period, rolled forward annually, more accurate,little financial vulnerability · horizon sufficient for planning purposes; flexible response to changing country circumstances · may weaken commitment to growth targets; may instead encourage multi- year commitments · management decentralized to Regional Bureaux (4)
ALTERNATIVE CRITERIA	· possible use of HDI as measure of development needs, combined with GNP as measure of "ability to pay" · substitute population below poverty line for total population · revised GNP graduation thresholds · supplementary criteria reflect focus areas; revised weights · slight increase in progressivity; shifts among regions · marginalizes fewer middle-income countries than current methodology · permits forward planning, but still financially vulnerable (5)	· possible use of HDI as measure of development needs, combined with GNP as measure of "ability to pay" · substitute population below poverty line for total population · revised GNP graduation thresholds · supplementary criteria reflect focus areas; revised weights · slight increase in progressivity; shifts among regions · marginalizes fewer middle-income countries than current methodology · 3-year period, rolled forward annually, more accurate, less financial vulnerability · horizon sufficient for planning purposes; flexible response to changing country circumstances · may weaken commitment to growth targets; may instead encourage multi-year commitments (6)